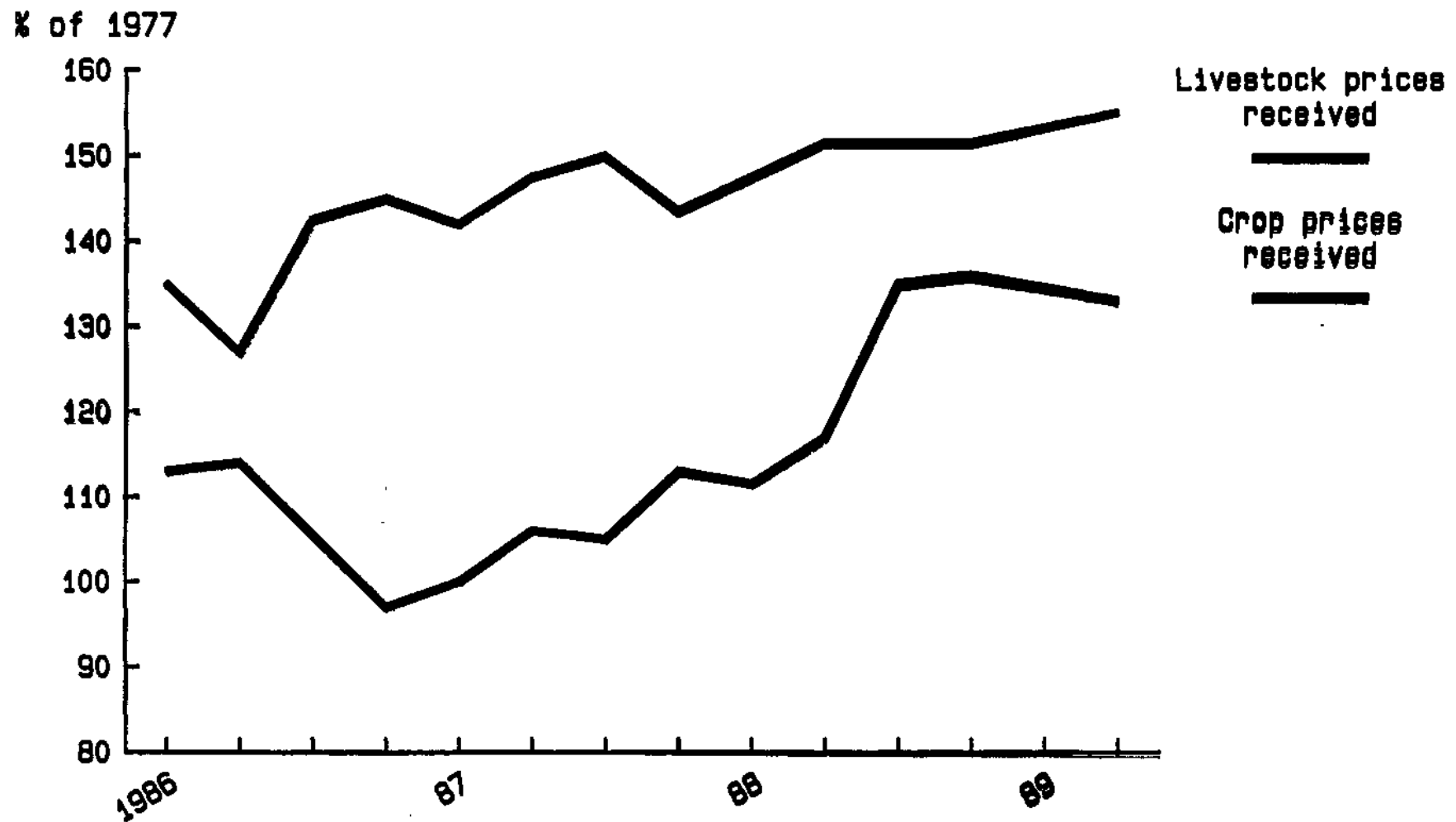


***FARM INCOME
AND
FINANCIAL OUTLOOK***

IMPROVEMENT IN COMMODITY PRICES



Record-Breaking Livestock Receipts Forecast

	<u>1987</u>	<u>1988</u>	<u>1989</u>
	Billion dollars		
Total	76	80	82
Cattle/calves	34	38	38
Hogs	10	9	10
Poultry/eggs	12	13	14
Dairy	18	18	18

Crop Receipts Rebound (since 1987)

	<u>1987</u>	<u>1988</u>	<u>1989</u>
	Billion dollars		
Total	62	72	72
Wheat	5	7	8
Corn	9	10	10
Fruits/Vegetables	24	25	25
Soybeans	10	12	11
Cotton/Rice	5	7	6

Moderate Growth in Expenses

	<u>1987</u>	<u>1988</u>	<u>1989</u>
	% change from a year earlier		
Feed, seed, feeders	8	20	6
Manufactured inputs	-1	4	13
Interest charges	-8	3	2
Repairs, labor, other	6	2	10
Total expenses	1	7	6

**Income Outlook: More Production, Less Cash
(as inventory replenished)**

	<u>1987</u>	<u>1988</u>	<u>1989</u>
	Billion dollars		
Receipts	138	151	152-154
Direct payments	17	13	10
Cash expenses	103	112	120
Net cash income	57	58	50
Inventory change	-1	-8	8
Net farm income	46	40	46

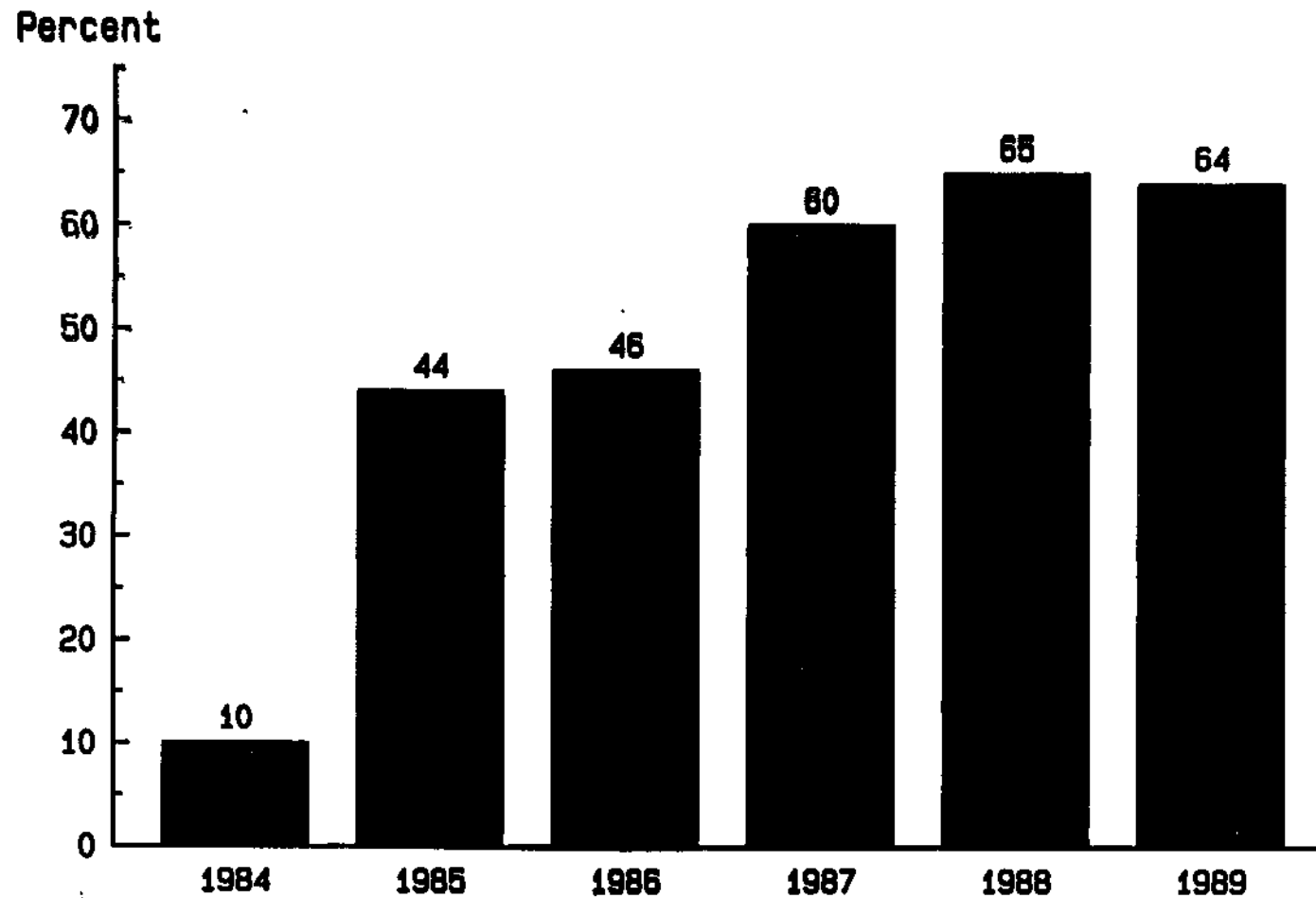
Major Factors in 1989 Income

Record high commodity receipts

Moderately higher expenses

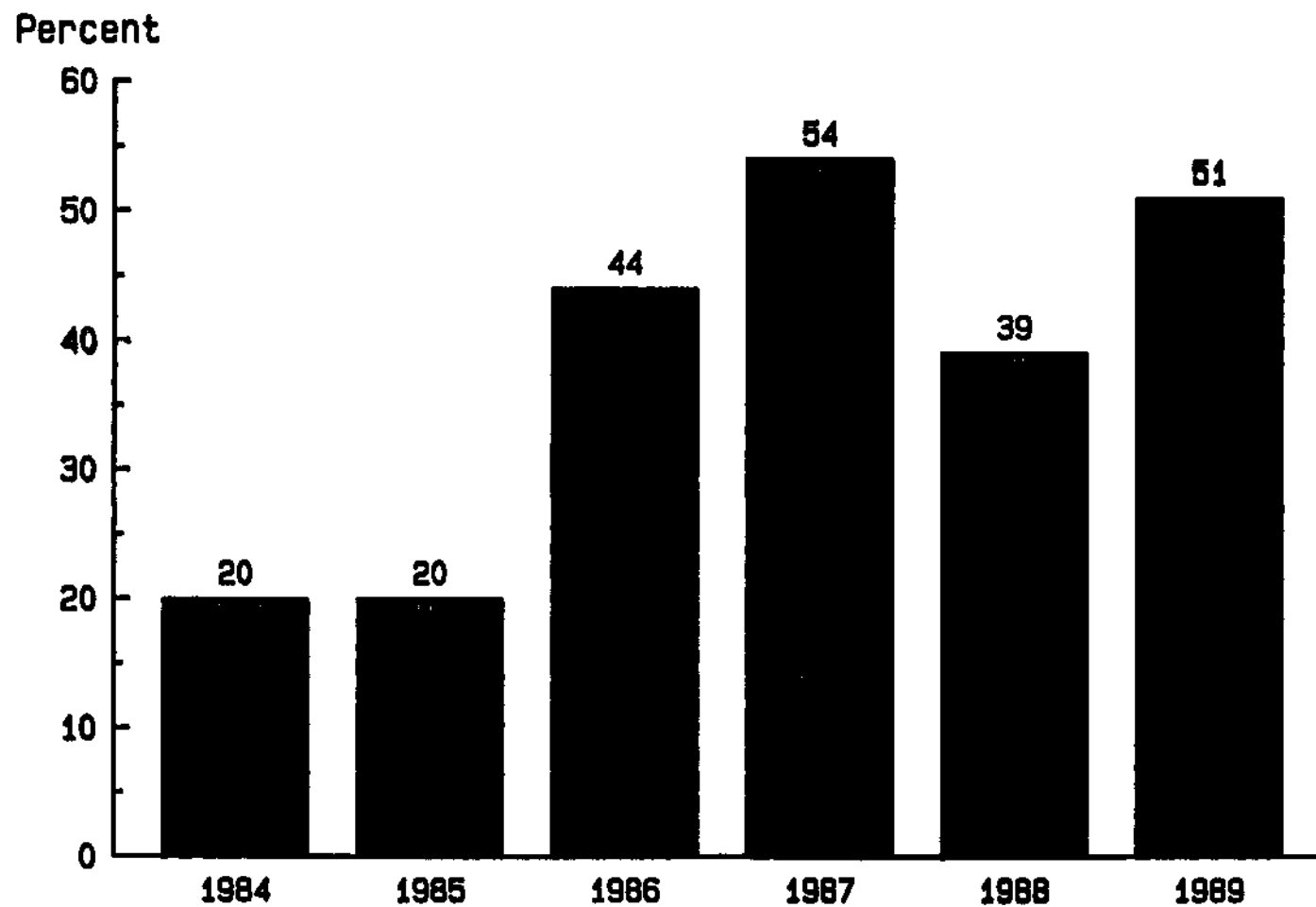
More plantings/less Government payments

MIDWEST CORN-SOYBEAN FARMS THAT CAN CASHFLOW LAND PURCHASES



Productions based on U.S.D.A. farm level data

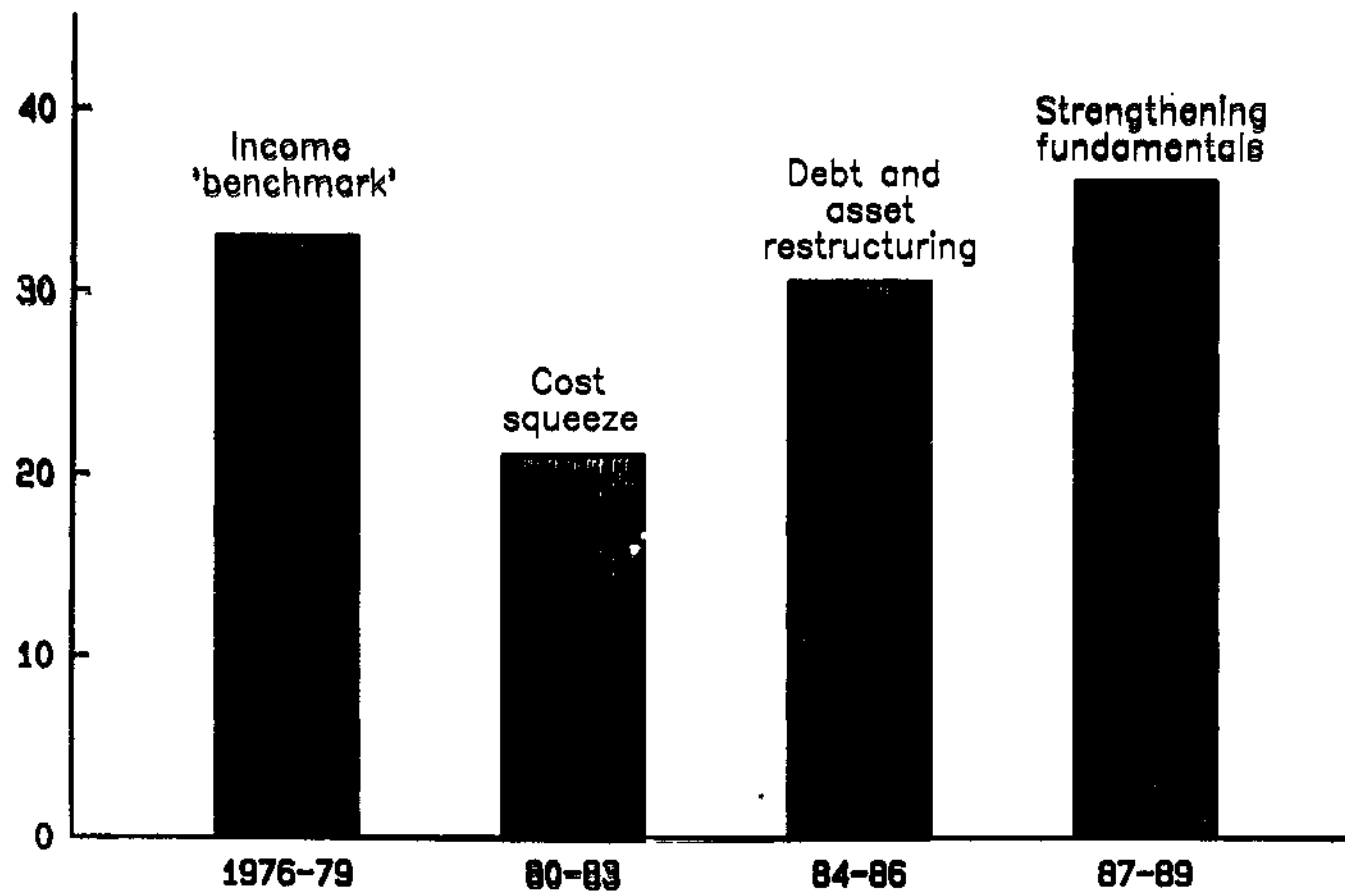
WHEAT FARMS THAT CAN CASHFLOW LAND PURCHASES



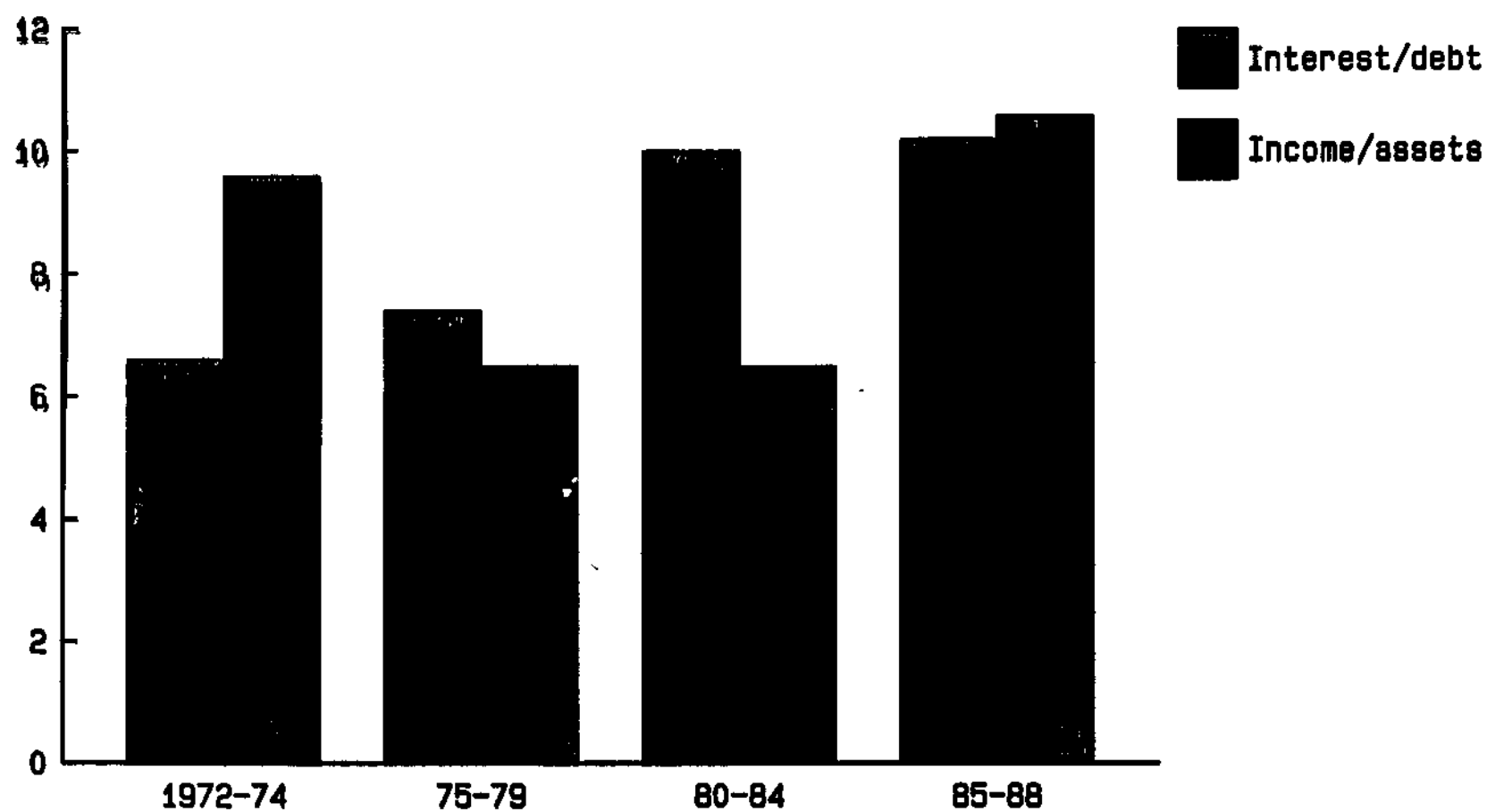
Productions based on U.S.D.A. farm level data

STRENGTHENING ECONOMIC FUNDAMENTALS IN LATE 1980'S

\$ billion (1982)



RETURNS TO ASSETS NOW EQUAL COST OF DEBT



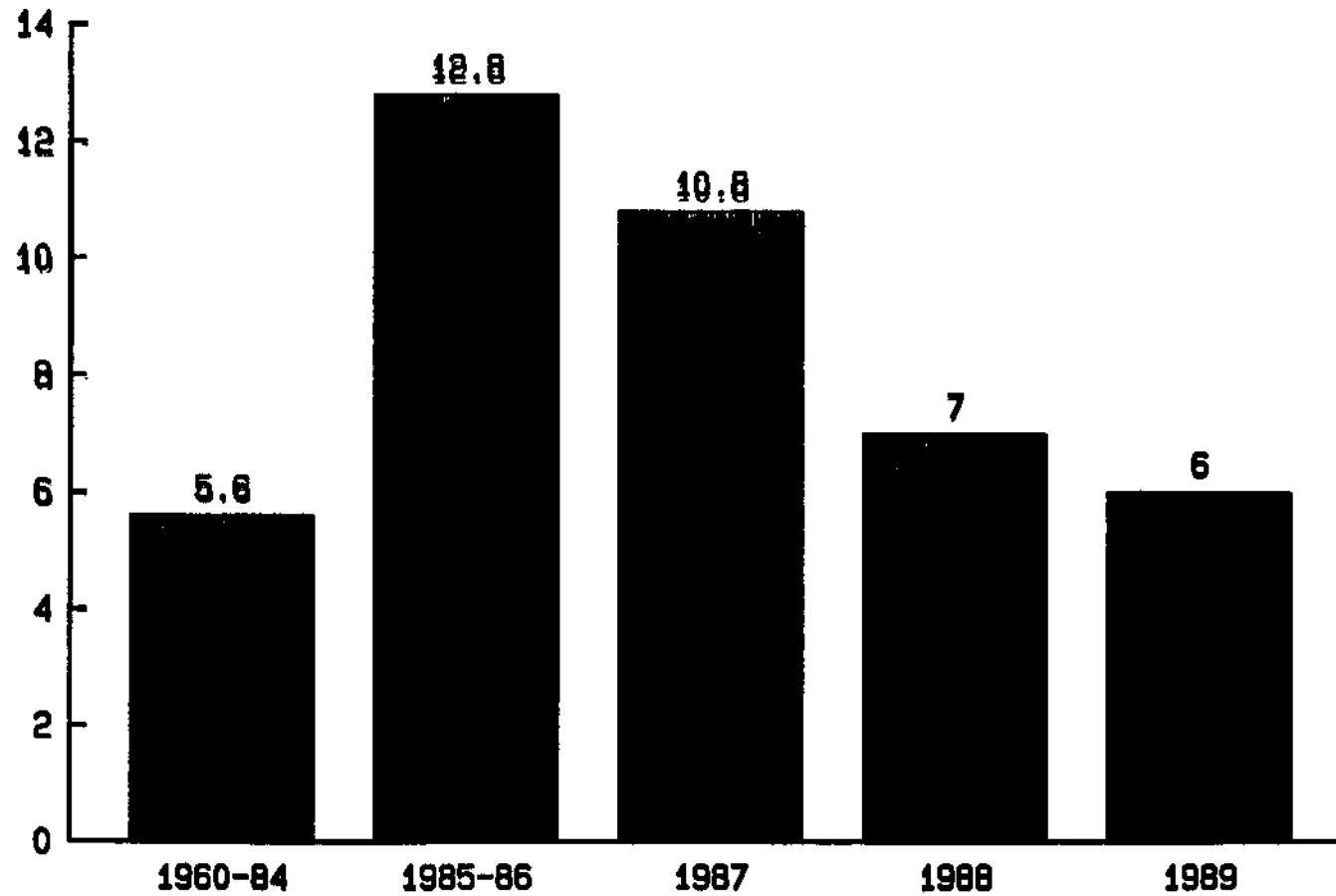
Financially Vulnerable Farms – Down One Third Last Year

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
	Percent			
All Farms	10	9	6	
Commercial Farms	17	16	11	
	Farms			
All Farms	220	200	140	Lower
Commercial Farms	110	90	60	Lower

Note: As of January 1st.

GOVERNMENT PAYMENTS DECLINING

Percent of gross cash income



Includes Direct Payments and Net CCC Payments

What Are Farmers Most Concerned About

Cost/Price Squeeze

5 – 6 Percent Increases Last 3 Years Adding-Up

Cash Expense Could Break 1984 Record

Corn Soybean Cotton Rice Prices Weakening

Future of Farm Programs

Export Market Share

How Hard/Soft is the Recovery

Gains substantial and widespread

Livestock income rose \$10 billion 1985-87

Total receipts up \$20 billion 1986-89

Land values up three years in a row

What Are Soft Spots

Hogs. Losses since September

Cotton/Rice. Receipts down 15-25 percent

Will Recovery Continue

Probably Through 1989 and 1990

Hard Lessons of Last 15 Years – Not Forgotten

Stronger Finances

Half the Stress of Mid-1980's

Better Balance in Economic Relationships

Production Costs and Commodity Prices

Exports and Stocks

Land Values and Interest Rates

Conclusions

Fundamentals are now favorable

Exports up 40 percent, stocks down

Receipts up \$20 billion

Competitive returns to assets

Land purchases can cashflow

Half the financially vulnerable farms

Less government payments

Land values up 3 years

Real farm income back to late 1970's level

—→ CURRENT RECOVERY CONTINUING

—→ GROWTH PHASE IN AGRICULTURE